
APPROPRIATIONS BY AGENCY AND PROGRAM

This summary of the layout and composition of the "Appropriations by Agency and Program" section is designed to provide the reader with a "road map" for reading and utilizing the agency appropriations report that follows.

The report on agency and program appropriations is designed to provide a resource for legislators and members of the public to understand actions taken on agency budgets by the legislature and their impact on agency operations. It does this by detailing the components of the budget, as well as providing a summary of legislative action, and a discussion of other legislation impacting the agency. The agencies are grouped by categories that mirror the groupings used in the appropriations process, and are summarized below.

Agency Subcommittee Groupings

GENERAL GOVERNMENT AND TRANSPORTATION (Section A)

Legislative Branch
Consumer Counsel
Judiciary
Montana Chiropractic Legal Panel
Governor's Office
Secretary of State
Commissioner of Political Practices
State Auditor's Office
Transportation
Revenue
Administration
Appellate Defender Commission

HEALTH AND HUMAN SERVICES (Section B)

Public Health & Human Services

NATURAL RESOURCES AND COMMERCE (Section C)

Fish, Wildlife and Parks
Environmental Quality
Livestock
Natural Resources and Conservation
Agriculture
Commerce

INSTITUTIONS AND PUBLIC SAFETY (Section D)

Board of Crime Control
Justice
Public Service Regulation
Corrections
Labor and Industry
Military Affairs

EDUCATION (Section E)

Office of Public Instruction
Board of Public Education
School for the Deaf and Blind
Montana Arts Council
State Library Commission
Montana Historical Society
Montana University System
Commissioner of Higher Education
Six University Units
Colleges of Technology
Community Colleges
Agricultural Experiment Station
Cooperative Extension Service
Forestry and Conservation Experiment
Station
Bureau of Mines
Fire Services Training School
Distance Learning
Rural Physicians Residency

LONG-RANGE PLANNING (Section F)

Long-Range Building Program
Treasure State Endowment Program
Oil Overcharge Program
State Building Energy Conservation
Resource Indemnity Trust Interest Grant and Loan
Program
Cultural and Aesthetic Grant Program
Information Technology Bonds

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Budget Presentations

The appropriations for all agency budgets were established and the appropriations report is written using the precepts contained in statute that require that the budget be presented in three tiers:

- 1) base budget, which is defined as "that level of funding authorized by the previous legislature";
- 2) present law budget, defined as "that level of funding needed under present law to maintain operations and services at the level authorized by the previous legislature..."; and
- 3) new proposals, which are "requests to provide new nonmandated services, to change program services, to eliminate existing services, or to change sources of funding..."

The appropriations report is presented in such a way as to show legislative action on each present law adjustment and new proposal made to the base budget to derive the 2001 biennium agency budget.

Legislative Appropriations

Legislative appropriations are made via two ways: 1) temporary appropriations bills, which are valid for a two-year period; and 2) statutory appropriations, which are appropriations authorized within substantive law and effective as long as the law remains in effect.

The legislature generally uses two vehicles to make temporary appropriations: 1) HB 2; and 2) other appropriations bills, generally referred to as cat-and-dog bills. HB 2 is the general appropriations bill, in which over 91 percent of all general fund and over 88 percent of total funds are appropriated in the 2001 biennium.

Statutory appropriations, while they represent an obligation on revenues and are included in any total expenditure tallies, do not require the passage of a bill to be effective. In addition, while the legislature estimates total statutory appropriations for the purpose of determining total available revenues for other appropriations, actual statutory appropriations will depend upon the underlying conditions controlling the appropriation, such as the level of debt service required, which is a function of not only the total debt undertaken but factors such as prevailing interest rates.

The tables in the narrative within the Appropriations by Agency and Program section contain only HB 2 appropriations. As such:

- 1) the figures do not include the 2001 biennium pay plan adopted by the legislature in HB 13, as final allocations of funds to agencies and programs to implement the pay plan had not been made by the Office of Budget and Program Planning (OBPP) at the time of writing of this report was written;
- 2) the tables do not include other appropriation bills. Consequently, in some instances it may be necessary for clarity to include extra tables to supplement the main narrative tables. For example, certain on-going costs of public schools (K-12 education) are included in SB 100, rather than HB 2. Therefore, HB 2 does not represent the true on-going costs of the K-12 school system, and SB 100 appropriations are included in supplemental narrative tables to provide a more accurate picture of total legislative funding; and
- 3) no statutory appropriations that may be made to or administered by an individual agency are included.

For all multiple program agencies, the narrative is divided into two parts: 1) the agency narrative; and 2) the program narrative.

Agency Narrative

The agency narrative provides an overview of the appropriations for that agency. Only a summary of legislative action for the agency, any agency-wide language, and a summary of other legislation having a significant fiscal impact on the agency are included at this level. All other discussion occurs within the relevant program narratives.

Each agency narrative begins with a table detailing adjusted actual fiscal 1998 expenditures, and present law adjustments and new proposals added to derive the appropriation for each year of the 2001 biennium. The table is followed by a brief agency description.

A paragraph with a short summary of legislative action follows. The paragraph is designed to alert the reader to any broad themes or major initiatives undertaken by the

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legislature. However, it is not designed to summarize all action.

This section may be followed by a discussion of major issues pertaining to this agency and/or addressed by the legislature under the heading "Agency Narrative". It is also within this section that any action impacting more than one program within the agency might be detailed. For example, a discussion of the highways state special revenue account in the Department of Transportation is included in this section.

A table showing and a discussion detailing differences between legislative action and the Executive Budget (as published) is included.

Finally, any agency-wide language included in HB 2 concludes this section (if applicable). Because the appropriation report details HB 2 appropriations, any other legislation that either appropriates money to or has a fiscal or programmatic impact on the agency is discussed in the section that follows.

Program Narrative

The agency narrative is followed by narratives detailing each of the agency programs. The program narrative begins with a table showing the adjusted fiscal 1998 base used to derive the budget; followed by total present law adjustments, new proposals, and total appropriations, by fiscal year. A short program description follows.

The program description is followed by a section detailing the program's funding. This section may be followed by a Program Narrative section in which either a summary of action or discussion to highlight some aspect of the program budget is made.

This section is followed by the "Present Law Adjustments" discussion. This narrative provides detailed information on all present law adjustments made to the base budget. The writeup begins with a table delineating the major present law adjustments, by fiscal year and funding source (showing both general fund and total funds). The table is divided into two sections:

- 1) statewide present law adjustments, which include most personal services adjustments, and adjustments due to fixed costs and inflation/deflation (see discussion below); and

- 2) other present law adjustments specific to the program.

The table is followed by a narrative, in which each significant adjustment is discussed in more detail.

The "Present Law Adjustments" narrative is followed by the "New Proposals" narrative, which begins with a table listing each of the new proposals included by the legislature, by year and funding source. This table is followed by narrative discussing each new proposal in more detail.

Any language included in HB 2 pertaining to the program concludes the Program Narratives section.

Statewide Present Law Adjustments

"Statewide Present Law Adjustments" are those adjustments applied globally to all state agencies. The factors of these adjustments generally affect all agencies and are beyond the control of the individual agencies. Because of the global application of these factors and the consistency of application among agencies, these adjustments are included in the "statewide" section of the present law adjustment table.

Personal Services

Personal services costs were derived by taking a "snapshot" of state employee positions and the factors determining compensation rates at a particular point in time. Personal services were then adjusted to incorporate costs in effect in fiscal 1999 and certain anticipated costs in the 2001 biennium. Four primary factors will cause an increase in costs from fiscal 1998 base expenditures: 1) incorporation of the 1999 biennium pay plan, which was not fully implemented until three months into fiscal 1999; 2) full funding of all positions, minus a three percent vacancy savings rate in the 2001 biennium for most agencies; 3) elimination of all termination pay that may have been incurred in fiscal 1998; and 4) incorporation of any upgrades or downgrades that occurred in fiscal 1998. In addition, some present law increases or decreases in FTE made by the legislature may be included in this portion of the table.

As stated, the 2001 biennium pay plan, adopted by the legislature in HB 13, is not included in this or any other table.

Fixed Costs

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Agencies are charged fees (called fixed costs) for a variety of services provided by other state agencies. The legislature includes fixed costs for the following services (the object of expenditure is included in parentheses): Department of Administration (DofA) insurance and bonds (2104), DofA warrant writing fees (2113), DofA payroll service fees (2114), Legislative Auditor audit fees (2122), Montana Project to Reengineer the Revenue and Information Management Environment (MTPRRIME) operations bureau (2148), DofA network fees (2174), messenger services

Insurance and Bonds

The Risk Management and Tort Defense (RMTD) Division of the DofA collects premiums from state agencies for: 1) administration of the self-insurance program, which provides state agencies with general liability and automobile coverage; and 2) purchase of commercial policies for state agency property, aircraft, and other risk coverage. Costs are allocated to agencies based on actual loss experience and

Table 1 Fixed Costs 2001 Biennium (In millions)			
Agency	Function	HB 2 Total	All Funds* Total
Administration	Insurance and Bonds	\$7.605	\$13.113
	Payroll Service Fees	0.551	0.617
	MTPRRIME Operating	3.705	5.402
	Data Network Services	14.082	15.739
	Messenger Services	0.226	0.327
	Rent	8.030	9.549
	Warrant Writing Fees	0.642	1.349
	MTPRRIME Debt Service	4.459	4.997
Legislative Audit Division	Audit Fees	1.277	2.654
Fish, Wildlife, and Parks	Grounds Maintenance	0.462	0.595
Various	State Fund Allocation Plan	0.912	1.160
Total		<u>\$41.951</u>	<u>\$55.502</u>

*Includes all funds, including non-budgeted proprietary funds

(2307), DofA rent (2527), capitol complex grounds maintenance (2770), MTPRRIME debt service costs (2875), and state fund cost allocation plan (2895). Fixed costs total \$55.5 million during the 2001 biennium for all funds (including non-appropriated proprietary funds), with \$41.95 million of those costs appropriated in HB 2. Table 1 shows the total fixed cost amounts in the 1999 biennium.

Due to the passage of HB 576 (1995 legislature), the agencies that pay these costs receive an appropriation in HB 2 for that purpose. However, the agencies providing the service do not require an appropriation and are not included in HB 2, with the exception of audit fees. Instead, the legislature establishes the rates the providing programs may charge. Each rate is discussed more fully in the relevant program narrative in this section.

inherent exposure.

Warrant Writing Fees

DofA provides warrant writing and direct deposit services for agency financial transactions. The costs of these services are allocated to agencies based on utilization of the various types of financial transactions.

Payroll Service Fees

The State Payroll program in DofA prepares and distributes payroll for all state agencies and operates the state payroll, personnel, and position control (PPP) system. Costs of these services are allocated to agencies based on the number of paychecks issued for each agency each year.

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MTPRRIME Operations Bureau

In the 2001 biennium, new state management systems will be in place as a result of MTPRRIME. This unit will provide all operational support for the new systems. Costs are allocated based 60 percent on the number of fiscal 1998 transactions and 40 percent on full-time equivalent employees.

Data Network Services

The Information Services Division (ISD) of DofA charges agencies for the technology network that allows agency personal computers to be attached to the state mainframe and, via the mainframe, to other agency computers. Costs of this service are allocated to agencies based on the projected number of personal computers connected to the network each year, utilizing the fixed monthly rate per computer to determine the overall agency charge.

Messenger Service

The Mail and Distribution program in DofA charges state agencies for inter-agency mail pick-up and delivery services. Costs of these services are allocated to agencies based on the volume of mail generated by, and number of daily deliveries to, each agency.

Rent

The General Services Division (GSD) of DofA charges rent to state agencies for costs of maintaining office and warehouse space in buildings GSD manages in the capitol complex (including utility costs, security, janitorial services, mechanical maintenance, and minor maintenance such as painting, lighting, carpeting, etc.). Warehouse costs are allocated to agencies based on the amount of square footage of warehouse space occupied and a fixed rate per square foot.

Audit Fees

The Legislative Audit Division charges agencies for costs of financial compliance audits. These charges are included in agency budgets as biennial appropriations and allocated according to the estimated number of billable hours for each agency audit.

Capitol Complex Grounds Maintenance

The Parks Division of Fish, Wildlife and Parks charges state agencies for grounds maintenance and snow removal at capitol complex buildings. Costs of these services are allocated based on the square footage of office space occupied by each agency.

MTPRRIME Debt Service

MTPRRIME costs were funded through general obligation bonds. The costs of repaying those bonds are allocated to agencies as a fixed cost. Costs were allocated based upon the same method used for the MTPRRIME Operations Unit.

State Fund Cost Allocation Plan (SFCAP)

DofA administers the SFCAP, which charges non-general fund agencies and/or programs for operating costs of state government that cannot easily be identified with particular funding sources. These collections are deposited to the general fund to offset a portion of those programs' costs.

Operating costs of the State Personnel and the Accounting and Management Support Divisions of DofA and the Office of Budget and Program Planning (OBPP) in the Governor's Office are partially recovered through SFCAP collections. Costs are allocated to agencies based on the following: a) State Personnel - the number of FTE appropriated and classified, and the number of negotiated labor contracts; b) Accounting and Management Support - the number of SBAS and cash transactions, and actual expenditures; and c) OBPP - the number of FTE and budgeted fund expenditures.

Inflation/Deflation Factors

The 2001 biennium appropriations do not include a general inflation factor for all operating expenses, but instead applies inflation (deflation) to specific expenditure items.

Table 2 shows the executive inflation/deflation factors and the categories to which they are applied in the 2001 biennium. The list of categories subject to an inflation/deflation factor is much smaller than in past years, which included energy-related items, food-related, and medical-related items. The items listed in the Table 2 are proprietary rate items.

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When compared with total spending in fiscal 1998, net inflation in expenditures by all agencies will range between

Table 2									
Inflation/Deflation Factors									
		Dollar Change in Expenditures Due to Inflation/Deflation							
		Percent Change in Rates		State Agencies		University System		All Agencies	
Object	Name of Expenditure	FY2000	FY2001	FY2000	FY2001	FY2000	FY2001	FY2000	FY2001
	2172 Computer Processing/DoA	-19.0%	-17.0%	-1,133,623	-1,014,311	-5,979	-5,349	-\$1,139,602	-\$1,019,660
	2194 SBAS On-Line Entry & Edit	0.0%	0.0%	-74,549	-74,549	-13,214	-13,214	-87,763	-87,763
	2304 Postage and Mailing	4.5%	4.5%	189,831	189,831	46,217	46,217	236,048	236,048
	2370 Telephone Equip/DoA	15.7%	15.7%	219,809	219,809	62,994	62,994	282,803	282,803
	2404 In-state Motor Pool	34.7%	26.9%	717,880	556,509	35,313	27,374	753,193	583,883
	2510 Motor Pool Leased Vehicles	34.7%	26.9%	193,494	150,012	0	0	193,494	150,012
Total for Inflated Factors				\$1,321,014	\$1,116,161	\$144,524	\$136,585	\$1,465,538	\$1,252,746
Total for Deflated Factors				-\$1,208,172	-\$1,088,860	-\$19,193	-\$18,563	-\$1,227,365	-\$1,107,423
Total Inflation/Deflation				\$112,842	\$227,301	\$125,331	\$118,022	\$238,173	\$145,323

0.02 percent in fiscal 2000 to 0.01 percent in fiscal 2001, because the number and size of the expenditure items to which inflation is applied are small. For state agencies, excluding the university system, expenditures on items for which rates increase nearly offset expenditures on items for which rates decrease.

Expenditures which increase due to higher rates include postage and mailing, telephone equipment, and motor pool items. Expenditures for these items increase by \$1.5 million in fiscal 2000 and by \$1.3 million in fiscal 2001 because of inflation. Expenditures which fall due to lower rates include computer processing and SBAS on-line entry. Expenditures for these items will fall by \$1.2 million in fiscal 2000 and by \$1.1 million in fiscal 2001. The net change in all expenditures due to inflation/deflation will be a little more than \$0.2 million in fiscal 2000 and around \$0.15 million in fiscal 2001.

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Net inflation for the university system exceeds net inflation for all other state agencies. This is because university system expenditures on mainframe computing costs are not extensive enough to offset increases in postage and mailing, telephone, and motor pool expenditures.

Computer Processing – ISD

Computer processing (rates for printing are increased by 10 percent at the beginning of the biennium) rates charged by ISD will continue to decline during the 2001 biennium. Mainframe computer processing costs are reduced by 19 percent below fiscal 1998 rates in fiscal 2000 and by 17 percent below fiscal 1998 rates in fiscal 2001. ISD expects utilization rates to remain constant. However, equipment purchases during the 2001 biennium are expected to be much less than during the 1999 biennium.

SBAS On-Line Entry and Edit

On July 1, 1999, the state will convert to the MT PRRIME accounting system. Expenditures associated with SBAS will disappear. Similar expenditures under MT PRRIME will be billed as fixed costs during the 2001 biennium.

Telephone Equipment – Department of Administration

ISD plans to increase rates charged to state agencies for services in two areas: monthly telephone charges and video.

Monthly telephone charges to agencies increase by \$0.50 per basic telephone to \$10 per month and by \$1.50 per enhanced telephone to \$15 per month. ISD plans to upgrade the state's telephone management system to

provide better directory services, long distance call accounting, work order management, and switch inventory.

The current telephone management system has been in place since 1987. The upgraded system will have the ability to take advantage of advances in telemanagement software that has been developed in the past ten years.

Postage and Mailing

Central mail rates increase by 4.5 percent in fiscal 2000 and then remain constant in fiscal 2001. The main reason for the increase is the increase in U.S. Postal Service mail delivery rates from \$0.32 per single letter to \$0.33, which became effective January 10, 1999. In addition, United States Postal Service rates increased for various categories of barcoded mail, priority mail, and special services.

Travel

The State Motor Pool rates increased by an average of 34.7 percent in fiscal 2000 and then reduce rates slightly in fiscal 2001. Over the last three years, the state has been converting to a statewide motor pool concept in which vehicles are leased to agencies. Under the previous practice, agencies purchased and maintained their own vehicles. The transition to a statewide motor pool will continue in the 2001 biennium and will require the Department of Transportation to increase its fleet of vehicles, which in turn will increase the amount of fleet debt service built into lease rates. The amount of new debt the department will incur in fiscal 2001 will be less than the amount in fiscal 2000. Because some existing debt will be paid off, rates in fiscal 2001 will be reduced. The motor pool expects to increase the number of vehicles to 744, compared to 197 when the program began in fiscal 1996.